



# SBA Procedural Notice

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**TO:** All Employees

**CONTROL NO.:** 5000-898

**SUBJECT:** Adjustments to 7(a) Loan Guaranty  
Purchases

**EFFECTIVE:** 12/16/2003

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Effective immediately, a reduction to the 7(a) guaranty purchase amount that is made through a voluntary agreement with the lender (referred to as a “repair”) must be calculated only as a specific dollar sum, rather than as a reduction of SBA’s guaranty percentage. This procedure modifies existing SOP 50 51 2A, chapter 13, paragraph 4, that formerly allowed a repair to be calculated either as a specific dollar sum or as a reduction in the guaranty percentage on a loan. The changes to this SOP reference are set forth below (there are no changes to the parts not included below).

#### **4. Are there alternatives to a Full Denial of Liability?**

Yes. The recommendation for a denial of liability should not be an automatic response to a problem. You should attempt to reach an amicable adjustment (a dollar reduction to the purchase amount), or “repair,” with the participant. Sometimes the participant will voluntarily cancel the guaranty. You may also recommend a partial denial of liability if the lender’s defects did not cause a total loss.

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- (2) If you or the participant suggests a reduction of the guaranty purchase amount, the servicing office may purchase at the reduced amount without referral to Headquarters if the adjustment reasonably approximates the anticipated or actual loss caused by the lender. Any such repair must be fully documented and consistent with the findings made in the purchase review, and contain the comments and concurrence of counsel.

This change is being made to simplify and eliminate confusion in the calculation of repairs, to make the repair calculation process more consistent, and to facilitate recordation in the new Guaranty Purchase Tracking System (GPTS). The repair amount that must be entered in GPTS is the “net” amount – that is, the dollar amount of harm caused by the lender multiplied by SBA’s guaranty percentage on the loan.

Questions regarding this notice should be directed to Walter Intlekofer by e-mail or by telephone at 202-205-7543.

James E. Rivera  
Associate Administrator  
for Financial Assistance

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**EXPIRES: 12/1/2004**

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete  
Must be accompanied by SBA Form 58